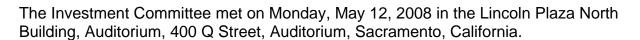


## CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION INVESTMENT COMMITTEE

### MINUTES OF MEETING OPEN SESSION

May 12, 2008



The meeting was called to order at approximately 9:50 a.m. and the following members were present:

George Diehr, Chair
Priya Mathur, Vice Chair
Marjorie Berte
John Chiang, represented by Terry McGuire
Rob Feckner
David Gilb, represented by Greg Beatty
Henry Jones
Bill Lockyer
Louis F. Moret
Tony Oliveira
Anne Sheehan
Kurato Shimada
Charles Valdes

Board President Feckner announced the appointment of Ken Marzion as Interim Chief Executive Officer.

#### AGENDA ITEM 2 – APPROVAL OF APRIL 2008 MEETING MINUTES

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** that the April 21, 2008 Open Session minutes be approved as presented.

Ms. Mathur abstained.

#### AGENDA ITEM 3 – POLICY SUBCOMMITTEE REPORT

Mr. Jones, Policy Subcommittee Chair, presented the April 21, 2008 Subcommittee Meeting Summary.

On **MOTION** by the Subcommittee, the Investment Committee approved the revised Asset Allocation Strategy Policy and the revised Internally Managed Global Equity Index Funds Policy.

The Subcommittee also deliberated upon the following Global Fixed Income Policy Review and Consolidation Project items:

- Adoption of the Policy on Global Fixed Income Program (consolidation of Dollar-Denominated Fixed Income and Externally Managed Active International Fixed Income Programs)
- Adoption of the Policy on Low Duration Fixed Income Program (consolidation of Dollar-Denominated Limited Duration and Internally Managed Dollar-Denominated Fixed Income Short-Term Programs)
- 3. Revision of the Policy on Lehman Aggregate Program
- 4. Revision of the Policy on Treasury Inflation Protected Securities Program
- 5. Revision of the Policy on Currency Overlay Program

On **MOTION** by the Subcommittee, the Investment Committee approved the revised Global Fixed Income policies.

The Subcommittee also reviewed the Infrastructure component of the Inflation-Linked Asset Class Policy. Comments on the policy were received and a second reading is scheduled for the next Investment Policy Subcommittee meeting, set for June 16, 2008.

#### **AGENDA ITEM 4 – REAL ESTATE**

There were no items to report.

### AGENDA ITEM 5 – ALTERNATIVE INVESTMENT MANAGEMENT (AIM) PROGRAM

There were no items to report.

### AGENDA ITEM 6a – INFLATION-LINKED ASSET CLASS (ILAC), Implementation Update

Farouki Majeed, Senior Investment Officer, reported on implementation of the Inflation-Linked Asset Class (ILAC), including the commodities, inflation-linked bonds, infrastructure, and forestland components. An update was provided for each component in the areas of investment policies, staffing, delegations, incentive plan, and investment implementation.

Michael Schlachter, Wilshire Associates, was available to respond to questions from the Committee.

Staff will follow-up on a presentation at a future meeting regarding the Ontario Municipal Employee Retirement System (OMERS) Infrastructure Program

Staff will continue to provide monthly ILAC implementation updates.

### AGENDA ITEM 7a – GLOBAL FIXED INCOME, External High Yield Manager Annual Review

Curtis Ishii, Senior Investment Officer, and Todd Smith, Portfolio Manager, provided an overview of the managers' performance. Andrew Junkin, Wilshire Consultants, was available to respond to questions from the Committee.

The CalPERS' external high yield program began with the funding of managers in February 2002 under annual contracts. All managers have been with CalPERS since the inception of the program. The objective of the program is to provide diversification and return enhancement within the CalPERS fixed income investment allocation.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** to renew the contracts for two of CalPERS' external high yield managers for a period of one year. The managers are Nomura Asset Management Inc. and Pacific Investment Management Company.

### AGENDA ITEM 8a – GLOBAL EQUITY, Emerging Markets Program Manager Reports

Eric Baggesen, Interim Senior Investment Officer, and Kurt Silberstein, Senior Portfolio Manager, presented the item.

This is the annual presentation of the emerging markets manager reports and is the first update since the prior Permissible Equity for Emerging Equity Markets Policy was repealed and the Emerging Equity Markets Principles were adopted in November 2007.

Staff reviewed the performance of the external emerging markets equity managers. Based on the updated policy, the custom benchmark has been changed to reflect the broader permissible universe of countries.

The emerging equity markets managers reported on opportunities in emerging markets, application of CalPERS' emerging markets principles, and responded to questions from the Committee. The manager representatives were:

- KDL Michelle Lapoula
- Alliance Bernstein Henry D'Auria and Bonnie Orlowski
- Genesis Karen Yerburgh and Catherine Vlasto
- Batterymarch Financial Management David Lazenby and Patricia Crane
- Lazard Asset Management James Donald and Tony Dote
- Pictet Asset Management Johnathan Bell and Peter O'Reilly
- Dimensional Fund Advisors (DFA) Karen Umland

The Chair directed staff to combine the Emerging Markets Program Manager Reports with the annual manager performance review in the future.

Deepak Pateriya of SEIU's Capital Stewardship Program commented on their concerns about Lazard's management practices.

#### AGENDA ITEM 8b - GLOBAL EQUITY, Corporate Governance Update

There were no items to report.

### AGENDA ITEM 9 - SUPPLEMENTAL INCOME PLANS (SIP)

There were no items to report

### AGENDA ITEM 10a – CHIEF INVESTMENT OFFICER'S / CHIEF OPERATING INVESTMENT OFFICER'S REPORT, Consolidated Investment Activity Report

Anne Stausboll, Interim Chief Investment Officer, presented the item.

The Committee accepted the Consolidated Investment Activity Report. The total market value of the fund as of March 31, 2008, was approximately \$242.4 billion and the total book value was approximately \$205.0 billion.

# AGENDA ITEM 10b – CHIEF INVESTMENT OFFICER'S / CHIEF OPERATING INVESTMENT OFFICER'S REPORT, Chief Operating Investment Officer's Status Report

The Committee accepted the Chief Operating Investment Officer's Status Report, including the master agenda item calendar.

#### AGENDA ITEM 11 - DRAFT JUNE 2008 AGENDA

The Committee accepted the proposed June 16, 2008 agenda.

### **AGENDA ITEM 12 - PUBLIC COMMENT**

There were no additional comments from the public.

The meeting was adjourned at 11:25 a.m.

The next Investment Committee meeting is scheduled for June 16, 2008 in Sacramento, California.

Kenneth W. Marzion
Interim Chief Executive Officer